



ORGANIZATION FOR THE PROTECTION
AND ADVANCEMENT OF SMALL
TELEPHONE COMPANIES

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

ORIGINAL
FILE

September 2, 1992

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

Re: In the Matter of
Policies and Rules
Pertaining to
the Equal Access Obligations
of Cellular Licensees
RM-8012

Dear Ms. Searcy:

Please find enclosed for filing the original and eleven copies of the Organization for the Protection and Advancement of Small Telephone Companies' comments in the above-captioned proceeding.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lisa M. Zaina".

Lisa M. Zaina
General Counsel

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No. of copies filed
Date filed

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

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OFFICE OF THE SECRETARY

In the Matter of)	
)	
Policies and Rules)	
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the Equal Access Obligations)	
of Cellular Licensees)	

**COMMENTS OF
THE ORGANIZATION FOR THE PROTECTION AND
ADVANCEMENT OF SMALL TELEPHONE COMPANIES**

OPASTCO
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COMMENTS OF
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I. INTRODUCTION

On June 2, 1992, MCI Telecommunications Corporation (MCI) petitioned the Federal Communications Commission (FCC or Commission) for a rulemaking proceeding "to apply uniform, nationwide policies and rules to the provision of interexchange equal access by cellular licensees."¹ The Commission has asked for public comment on MCI's request, so the Organization for the Protection and Advancement of Small Telephone Companies (OPASTCO) hereby submits its comments in response to MCI's Petition.

OPASTCO is a national trade association of more than 400 independently owned and operated telephone companies serving rural areas of the United States and Canada. The members, which

¹MCI Telecommunications Corporation, In the Matter of Policies and Rules Pertaining to the Equal Access Obligations of Cellular Licensees, Petition for Rulemaking, RM-8012, June 2, 1992 (Petition), page 1.

include both commercial companies and cooperatives, range in size from less than 100 to nearly 50,000 access lines and together serve almost two million customers. Two thirds of OPASTCO's member companies are involved in the provision of cellular telephone service -- either by providing the service themselves or participating in partnerships. These companies have a presence in approximately 75 Metropolitan Statistical Areas (MSAs) and 220 Rural Service Areas (RSAs) throughout the United States.

While the MCI Petition proposes an attractive concept -- increasing consumer choice by requiring equal access to long distance carriers in the cellular environment -- OPATSCO believes the idea is unworkable at the present time. The industry structures to pursue such a scenario do not exist, would be expensive to create, and would produce undesirable consequences for rural cellular consumers.

OPASTCO believes that MCI's Petition is based on the erroneous assumption that the entire cellular industry can be characterized by the attributes of several large markets served by a few large companies. OPASTCO member companies' knowledge of their own markets indicates that this is not the case. In many areas of the country the cellular industry is still in its infancy, deep in the process of building systems and attracting subscribers. For this reason, OPASTCO believes the FCC should deny the Petition as untimely and not in the public interest.

II. COMMENTS

The U.S. cellular industry has proven to be quite a success story. As MCI correctly points out, in less than a decade the number of cellular subscribers has grown from zero to over eight million, greatly exceeding the industry's early 1980's projections.² Similarly, overall industry revenues have increased from less than \$500 million in 1985 to over \$5.7 billion in 1991.³ And finally, this past spring a cell site was "turned up" in rural Granada County, Mississippi, denoting the first time at least one cellular system was operational in every RSA and MSA in the country.⁴

However, it cannot be concluded from these facts that the cellular industry has entered a mature phase, providing service to the nation ubiquitously while at the same time denying subscribers "freedom of choice."⁵ In fact, the industry is still very young and growing rapidly. Having at least one cell site operational in every MSA and RSA, while an important and admirable step in the growth of the industry, does not itself indicate that cellular service is available everywhere. The licensing process took years to complete -- RSA licenses were awarded more recently than those of the largest MSAs. Also,

²Petition at page 2.

³Id.

⁴Petition at page 1.

⁵Petition at page 5.

unlike urban areas with dense population centers, rural communities require coverage over much wider geographic areas containing far fewer potential subscribers.

Many of OPASTCO's cellular-providing member companies are still either completing their systems, expanding them, or concentrating on building their subscriber base to business-sustaining levels. These activities require large investments of capital up front, with a longer-term look toward profitability. This is certainly not meant to imply that the cellular business is an unprofitable one -- merely that in many parts of the country it is a very new service, and still experiencing growing pains.

In its Petition MCI also mentions the concentration of ownership, and Bell Operating Company (BOC) presence, in most of the top 50 markets.⁶ While both statements are true, OPASTCO must point out that many of the smaller markets are still served by the companies and individuals that were originally awarded the licenses. It is they -- OPASTCO's member companies included -- that are now making the necessary investments to bring quality cellular service to their areas.

In requesting the application of equal access requirements to cellular service, MCI points to the provision of telephone service for comparison.⁷ OPASTCO believes that this comparison

⁶Petition at pages 1-2.

⁷Petition at page 4.

is invalid. There are several important differences between how independent (that is, non-Bell) local exchange carriers (LECs) interact with interexchange carriers (IXCs) and how independent (non-Bell) cellular providers interact with IXCs.

The most obvious difference is the presence of the National Exchange Carrier Association (NECA) in the telephone industry. Based on company-specific and national data, NECA develops the rates that many small LECs charge IXCs for access, files tariffs on behalf of those LECs, administers the pools and redistributes the revenue to the LECs. The NECA pooling process 1) eases what would otherwise be a very burdensome rate development and tariffing function, and 2) averages access costs, allowing rural, high-cost companies to keep their rates down through contributions from other pool participants and programs such as the Universal Service Fund. OPASTCO questions whether a NECA-like system would work in the highly competitive cellular arena.

In order to provide equal access in the cellular industry, individual cellular providers would have to establish their own access tariffs. Not only would this be a difficult, expensive undertaking, but if it were possible the end result would be highly detrimental to rural subscribers: without a nationwide averaging system, access rates would be very high in rural areas.

Implementing equal access would also add more easily identifiable costs to the operation of cellular systems. Additional investment would have to be made in switching equipment. Additional trunks would have to be added from the

cellular system to the IXCs' points of presence, increasing transport costs. Roaming agreements would become highly complicated. The balloting process itself would incur expenses. All of these costs would be added to many rural cellular systems that are still investing heavily in new plant and initial marketing campaigns, as discussed above.

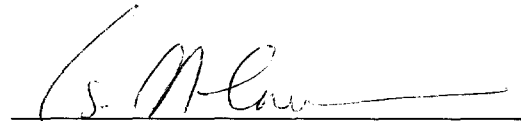
The net result is that subscriber rates in rural areas would increase dramatically before the service has even proven itself in the marketplace. This would almost certainly negatively affect the public's perception of cellular as a viable, affordable service, and would ultimately drive down the number of cellular subscribers.

Finally, OPASTCO's member companies are not aware of any public concern regarding this issue. Although cellular service has, indeed, proven to be a popular service, subscribers do not seem to view it as a replacement for wireline telephone service at this time.

III. CONCLUSION

For the above reasons, therefore, OPASTCO believes that MCI's Petition for Rulemaking seeking the application of uniform, nationwide interexchange equal access policies and procedures to cellular licensees is not in the public interest, and, at best, highly premature.

Respectfully submitted,



Lisa M. Zaina
General Counsel

**The Organization for the
Protection and Advancement of
Small Telephone Companies**
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September 2, 1992

CERTIFICATE OF SERVICE

I, Matthew L. Dosch, hereby certify that a copy of OPASTCO's comments was sent on this, the 2nd day of September, 1992, by first class United States mail, postage prepaid, to those listed below.

A handwritten signature in black ink, reading "Matthew L. Dosch", written over a horizontal line.

Matthew L. Dosch

Downtown Copy Center
1990 M Street, NW
Suite 640
Washington, DC 20554

Michael Mandigo
Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554